

Fiscal Summary (\$ Millions)

	Interim 2003-04	2004-05		
		Budget Plan	Current Outlook	In-Year Change
Revenue*	68,250	78,360	78,364	4
Expense				
Programs	62,518	66,695	66,695	-
Capital	2,202	2,575	2,575	-
Interest on Debt	9,752	10,329	10,329	-
Total Expense	74,472	79,599	79,599	-
Reserve	-	1,000	1,000	-
SURPLUS / (DEFICIT)	(6,222)	(2,239)	(2,235)	4

* Includes one-time revenue gain of \$3,881 million related to the projected elimination of the liability for non-utility generator power purchase agreements in 2004-05.

HIGHLIGHTS

2004-05 IN-YEAR PERFORMANCE

DEFICIT OUTLOOK AT \$2.2 BILLION

- The 2004-05 current deficit outlook has improved by \$4 million from the fiscal outlook presented in the Budget Plan. As at June 30, 2004, a deficit of \$2,235 million is projected for 2004-05.

REVENUE AT \$78.4 BILLION

- The revenue outlook, at \$78,364 million, is up a net \$4 million from the Budget Plan mainly due to an increase in the Personal Income Tax revenue outlook as a result of preliminary information on tax assessments for 2003 and prior years, partially offset by decreases in Corporations Tax revenue and other taxation revenues.

EXPENSE AT \$79.6 BILLION

- Total expense, at \$79,599 million, is unchanged from the fiscal outlook presented in the Budget Plan.

RESERVE AT \$1.0 BILLION

- The Budget Plan includes a \$1 billion reserve to protect against unexpected and adverse changes in the economic and fiscal outlook.

FISCAL PERFORMANCE

REVENUE

- ♦ The revenue outlook, at \$78,364 million, is up a net \$4 million from the Budget Plan. Major changes this quarter include:
 - ♦ The Personal Income Tax (PIT) revenue outlook is up a net \$99 million. This is primarily due to preliminary information on tax assessments for 2003 and prior years that has increased the outlook for 2004-05 PIT revenues by \$100 million. This increase is partially offset by a reduction in the 2004-05 PIT revenue outlook of \$1 million due to the proposed longer phase-out of the Ontario Research Employee Stock Option Credit for those individuals who were granted an option as of May 18, 2004.
 - ♦ The Corporations Tax revenue outlook is down \$70 million due to lower-than-anticipated payments associated with 2003 tax return filings.
 - ♦ The Employer Health Tax (EHT) revenue outlook is down \$12 million as a result of the proposed longer phase-out of the EHT exemption for stock option benefits paid to employees of research intensive companies for those employers who granted an option as of May 18, 2004.
 - ♦ The revenue outlook for the proposed Ontario Health Premium (OHP) is down \$13 million due to a lowering of the phase-in rate that would apply at the \$36,000 taxable income level from 25 per cent to 6 per cent.

OPERATING EXPENSE

- ♦ Program expense, at \$66,695 million, is unchanged from the Budget Plan.
- ♦ The Interest on Debt expense forecast, at \$10,329 million, is unchanged from the Budget Plan.

CAPITAL EXPENSE

- ♦ Capital expense, at \$2,575 million, is unchanged from the Budget Plan.

RESERVE

- ♦ The reserve, at \$1 billion, is unchanged from the Budget Plan.

Change Fund Investments (\$ Millions)		2004-05
BUDGET PLAN		
Investments for Health Care		
Community Health Services – home care and community mental health	140	
Family Health Teams	111	
e-Health Initiatives	78	
Other Projects (including wait lists and workplace safety)	280	
		609
Other Investments		
ServiceOntario Enhancement	27	
College Stabilization	25	
Nutrient Management Financial Assistance Program	5	
All Other	6	
		63
PROJECT APPROVALS SINCE BUDGET		
First Quarter Approvals		
No new project approvals this quarter	-	
		-
Investments to be Confirmed		328
TOTAL CHANGE FUND INVESTMENTS		1,000

- The 2004 Budget included a one-time \$1.0 billion Change Fund to support the government's plans to change and improve Ontario's public services. The Fund will help to pay for projects that rationalize or better integrate existing programs and services, put in place new systems and processes to reduce long-term costs, or mitigate the demand for services over the long run.
- The remaining \$328 million in the Change Fund will be allocated this fiscal year, following a review of business case plans to ensure projects demonstrate benefits such as good value for money; improved quality or delivery of public services; improved cost efficiency or result in cost savings in the long run. As Change Fund projects are reviewed and approved during the fiscal year, these will be detailed and reported in the quarterly Ontario Finances.
- Any unallocated amounts remaining in the Change Fund at year-end will be applied to reduce the deficit.

Statement of Financial Transactions (\$ Millions)					
	2000-01	2001-02	Actual 2002-03	Interim 2003-04	Current Outlook 2004-05
Revenue*	66,044	66,249	68,609	68,250	78,364
Expense					
Programs	51,146	53,647	56,922	62,518	66,695
Capital**	2,123	1,890	1,876	2,202	2,575
Interest on Debt	10,873	10,337	9,694	9,752	10,329
Total Expense	64,142	65,874	68,492	74,472	79,599
Reserve	-	-	-	-	1,000
SURPLUS / (DEFICIT)	1,902	375	117	(6,222)	(2,235)
Net Debt†	132,496	132,121	132,647	139,405	142,408
Accumulated Deficit†	132,496	132,121	118,705	124,927	127,162

* Includes one-time revenue gain of \$3,881 million related to the projected elimination of the liability for non-utility generator power purchase agreements in 2004-05.

** Starting in 2002-03, major tangible capital assets owned by Provincial ministries (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets owned by Provincial ministries will continue to be accounted for as expense in the year of acquisition or construction. All capital assets owned by consolidated government organizations are accounted for on a full accrual basis.

† Net debt represents the difference between liabilities and financial assets. Accumulated deficit represents net debt adjusted for tangible capital assets.

Selected Economic and Fiscal Statistics					
	2000-01	2001-02	Actual 2002-03	Interim 2003-04	Current Outlook 2004-05
Gross Domestic Product (GDP) at Market Prices* (\$ Millions)	441,204	453,384	479,122	494,229	514,492
Ontario Population (000s) - July 1	11,685	11,898	12,097	12,238	12,397
Ontario Revenue as a per cent of GDP	15.0	14.6	14.3	13.8	15.2
Ontario Revenue Growth (%)	1.9	0.3	3.6	(0.5)	14.8
Ontario Total Expense as a per cent of GDP	14.5	14.5	14.3	15.1	15.5
Ontario Total Expense Growth (%)	0.0	2.7	4.0	8.7	6.9
Ontario Total Program Expense as a per cent of GDP	11.6	11.8	11.9	12.6	13.0
Ontario Total Program Expense Growth (%)	6.1	4.9	6.1	9.8	6.7
Ontario Interest on Debt as a per cent of Revenue	16.5	15.6	14.1	14.3	13.2
Ontario Interest on Debt as a per cent of Total Expense	17.0	15.7	14.2	13.1	13.0
Ontario Interest on Debt as a per cent of GDP	2.5	2.3	2.0	2.0	2.0
Ontario Surplus / (Deficit) as a per cent of GDP	0.4	0.1	0.0	(1.3)	(0.4)
Net Debt per capita (\$)	11,339	11,104	10,965	11,391	11,487
Net Debt as a per cent of GDP	30.0	29.1	27.7	28.2	27.7
Accumulated Deficit per capita (\$)	11,339	11,104	9,813	10,208	10,257
Accumulated Deficit as a per cent of GDP	30.0	29.1	24.8	25.3	24.7

* Reflects Statistics Canada's release of the preliminary Provincial Economic Accounts and revisions to the National Income and Expenditure Accounts.

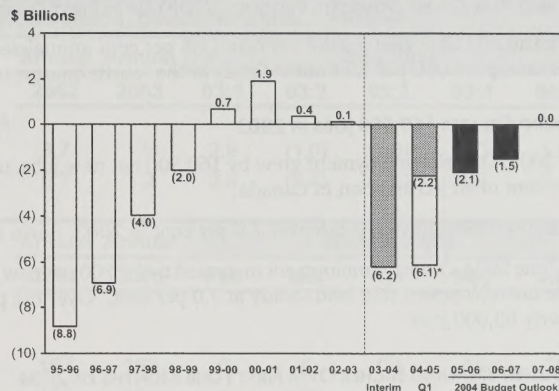
Sources: Ontario Ministry of Finance and Statistics Canada.

In 2000-01, the Province recorded a budgetary surplus of \$1.9 billion. However, between 2000-01 and 2003-04, Provincial program spending increased by 22 per cent, far exceeding tax revenue growth, which declined by 0.6 per cent during this period. This imbalance between revenue and spending created a structural deficit.

Based on the current fiscal outlook for 2004-05, total revenue will increase by 14.8 per cent this year while total expense will grow by 6.9 per cent resulting in a substantial decline in the deficit projected for 2004-05.

Consistent with the government's medium-term fiscal plan outlined in the 2004 Budget, the deficit will continue to be gradually reduced until Ontario's books are balanced in 2007-08.

Surplus/(Deficit)

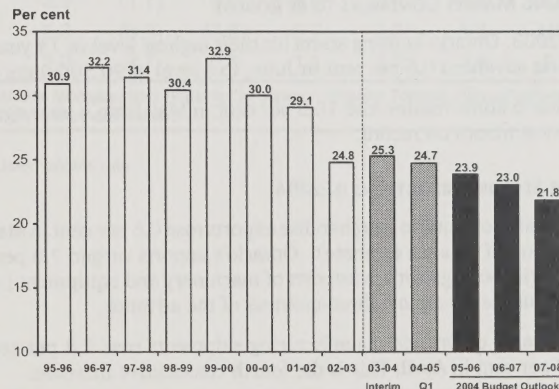


* Excludes one-time revenue gain of \$3.9 billion related to the projected elimination of the liability for non-utility generator power purchase agreements.

Debt-to-GDP declined in Ontario over the period from 1999-2000 to 2002-03. Starting in fiscal year 2002-03, the costs of major tangible capital assets are capitalized and amortized over their estimated useful lives. The initial impact of this change in accounting policy is primarily responsible for the sharp decline in the debt-to-GDP ratio from 29.1 per cent in 2001-02 to 24.8 per cent in 2002-03.

The medium-term fiscal plan reported in the 2004 Budget includes steadily declining deficit targets which will reduce the interim deficit of \$6.2 billion in 2003-04 to \$2.2 billion in 2004-05, \$2.1 billion in 2005-06, \$1.5 billion in 2006-07 and a balanced budget by 2007-08. Consistent with these fiscal targets, Ontario's debt as a proportion of GDP is projected to fall from 25.3 per cent in 2003-04 to 21.8 per cent in 2007-08.

Debt as a Per Cent of GDP*



* Debt refers to the accumulated deficit of the Province.

** Reflects 2004 Budget fiscal outlook and Statistics Canada's revisions to the National Income and Expenditure Accounts.

ONTARIO REAL GROSS DOMESTIC PRODUCT (GDP) UP IN FIRST QUARTER (JANUARY-MARCH)

- Ontario real GDP grew by 0.4 per cent (1.5 per cent annualized) in the first quarter of 2004, down from a 1.0 per cent pace (4.0 per cent annualized) in the fourth quarter of 2003.

ONTARIO CREATES 160,500 JOBS IN 2003

- In 2003, Ontario employment grew by 160,500 net new jobs, up 2.6 per cent from 2002 and accounting for 48 per cent of all job creation in Canada.
- Ontario's unemployment rate was 7.0 per cent in 2003, down slightly from 7.1 per cent in 2002.
- In June 2004, Ontario employment increased by 17,700 net new jobs following an increase of 30,800 jobs in May. The unemployment rate held steady at 7.0 per cent. Over the past three months, Ontario employment is up by nearly 63,000 jobs.

CONSUMER SPENDING HIGHER OVER FIRST FOUR MONTHS OF 2004

- Ontario retail sales fell 1.3 per cent in April, the first monthly decline in 2004. However, over the first four months of 2004, Ontario retail sales are 2.8 per cent ahead of the same period in 2003.

INFLATION REMAINS MODERATE

- Ontario consumer prices rose 2.4 per cent year-to-year in June, down from 2.8 per cent in May. Excluding energy prices, Ontario's inflation rate was 1.7 per cent in June, up slightly from 1.6 per cent in May.

HOUSING MARKET CONTINUES TO BE ROBUST

- In 2003, Ontario housing starts hit their highest level in 14 years, up 1.9 per cent from 2002. Ontario housing starts advanced 0.6 per cent in June, to a level of 90,500 units (seasonally adjusted annual rate).
- Ontario home resales rose 10.5 per cent in May from a year ago to reach a level of 21,385 units, making it the busiest month on record.

TRADE SECTOR STRENGTHENS IN 2004


- The value of Ontario merchandise exports rose 0.6 per cent in May, the fourth consecutive monthly gain (Ontario Ministry of Finance estimate). Ontario's imports surged 7.0 per cent in May, following a 1.2 per cent increase in April. Solid growth in imports of machinery and equipment (+11.3 per cent) and autos (+7.1 per cent) were responsible for almost three-quarters of the advance.
- The value of Ontario manufacturing shipments rose 1.8 per cent to \$25.7 billion in May, following a gain of 0.7 per cent in April. This is the fourth consecutive increase.

KEY ECONOMIC INDICATORS								
(Per Cent Change from previous period, unless indicated otherwise)								
		Annual Annual		Quarterly				
		2002	2003	03:1	03:2	03:3	03:4	04:1
Output (Seasonally Adjusted at Annual Rates)								
Real GDP	Ontario	3.7	1.6	2.9	(1.0)	(3.0)	4.0	1.5
Nominal GDP	Ontario	5.7	3.2	3.4	(3.4)	(0.6)	4.2	5.1
		Annual	Annual	Monthly 2004				
		2002	2003	Feb	Mar	Apr	May	Jun
Other Indicators (Seasonally Adjusted)								
Labour Markets								
Labour Force (Change in 000s)	Ontario	167	163	6	8	(3)	41	19
Employment (Change in 000s)	Ontario	105	161	5	(25)	14	31	18
Unemployment Rate (%)	Ontario	7.1	7.0	6.6	7.1	6.8	7.0	7.0
Household Sector								
Retail Sales	Ontario	5.9	3.4	2.4	0.3	(1.3)	N/A	N/A
Housing Starts (000s)**	Ontario	83.6	85.2	76.7	92.7	88.6	90.0	90.5
New Home Sales*	Toronto	29.3	(19.9)	7.7	31.2	40.2	1.6	N/A
MLS Home Resales*	Ontario	9.7	3.6	2.7	30.5	24.4	10.5	N/A
Manufacturing Shipments								
Transportation Equipment	Ontario	3.5	(1.7)	0.6	4.0	0.7	1.8	N/A
Consumer Price Index*								
	Ontario	2.0	2.7	0.8	1.1	2.3	2.8	2.4
Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Greater Toronto Home Builders' Association, Canadian Real Estate Association and Ward's Automotive.								

* per cent change from a year earlier.

** Monthly housing starts are expressed at a seasonally adjusted annual rate.

N/A = Data not available.



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ONTARIO FINANCES FINANCIAL TABLES

REVENUE

(\$ Millions)	2004-05			
	Interim 2003-04	Budget Plan	Current Outlook	In-Year Change
TAXATION REVENUE				
Personal Income Tax	17,778	18,821	18,920	99
Retail Sales Tax	14,260	15,036	15,036	-
Corporations Tax	7,222	8,320	8,250	(70)
Employer Health Tax	3,737	3,874	3,862	(12)
Gasoline Tax	2,282	2,328	2,328	-
Fuel Tax	684	716	716	-
Ontario Health Premium	-	1,635	1,622	(13)
Tobacco Tax	1,299	1,452	1,452	-
Land Transfer Tax	911	927	927	-
Electricity Payments-In-Lieu of Taxes	597	630	630	-
Other Taxes	391	259	259	-
	49,161	53,998	54,002	4
GOVERNMENT OF CANADA				
Canada Health and Social Transfer (CHST)	7,014	-	-	-
Canada Health Transfer (CHT)	-	4,677	4,677	-
Canada Social Transfer (CST)	-	2,924	2,924	-
CHST Supplements	577	775	775	-
Social Housing	522	521	521	-
Health Reform Fund	387	582	582	-
Diagnostic/Medical Equipment	193	193	193	-
Infrastructure	155	267	267	-
Other Government of Canada	1,114	859	859	-
	9,962	10,798	10,798	-
INCOME FROM INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES				
Ontario Lottery and Gaming Corporation	2,100	2,117	2,117	-
Liquor Control Board of Ontario	1,043	1,117	1,117	-
Ontario Power Generation Inc. and Hydro One Inc.	(15)	335	335	-
Other Government Enterprises	(59)	(5)	(5)	-
	3,069	3,564	3,564	-
OTHER NON-TAX REVENUE				
Net Reduction of Power Purchase Contract Liability*	104	4,024	4,024	-
Reimbursements	1,175	1,252	1,252	-
Electricity Debt Retirement Charge	1,000	1,009	1,009	-
Vehicle and Driver Registration Fees	986	987	987	-
Power Sales	510	675	675	-
Other Fees and Licences	505	536	536	-
Liquor Licence Revenue	486	499	499	-
Sales and Rentals	520	403	403	-
Royalties	243	239	239	-
Miscellaneous Other Non-Tax Revenue	529	376	376	-
	6,058	10,000	10,000	-
TOTAL REVENUE	68,250	78,360	78,364	4

* Includes one-time revenue gain of \$3,881 million related to the projected elimination of the liability for non-utility generator power purchase agreements in 2004-05.

OPERATING EXPENSE

(\$ Millions)		2004-05		
MINISTRY	Interim 2003-04	Budget Plan	Current Outlook	In-Year Change
Agriculture and Food	677	549	549	-
Attorney General*	1,156	1,162	1,162	-
Board of Internal Economy	204	149	149	-
Children and Youth Services*	2,643	2,832	2,832	-
Citizenship and Immigration*	56	62	62	-
Community and Social Services*	6,016	6,317	6,317	-
Community Safety and Correctional Services*	1,670	1,745	1,745	-
Consumer and Business Services	184	213	213	-
Culture	294	277	277	-
Democratic Renewal Secretariat	-	4	4	-
Economic Development and Trade*	260	414	414	-
Education	9,754	10,623	10,623	-
Teachers' Pension Plan (TPP)	235	359	359	-
Energy	118	137	137	-
Environment*	260	304	304	-
Executive Offices	22	19	19	-
Finance - Own Account*	1,316	1,184	1,184	-
Interest on Debt	9,752	10,329	10,329	-
Change Fund	-	328	328	-
Community Reinvestment Fund	652	656	656	-
Electricity Consumer Price Protection Fund	253	-	-	-
Power Purchases	799	946	946	-
Health and Long-Term Care*	28,100	29,652	29,652	-
Change Fund	-	609	609	-
SARS-related and Major One-Time Health Costs	842	-	-	-
Intergovernmental Affairs*	6	9	9	-
Labour	120	133	133	-
Management Board Secretariat*	268	355	355	-
Retirement Benefits	340	433	433	-
Contingency Fund	-	965	965	-
Municipal Affairs and Housing*	678	692	692	-
Native Affairs Secretariat	16	14	14	-
Natural Resources	518	505	505	-
Northern Development and Mines	79	73	73	-
Office of Francophone Affairs	4	4	4	-
Public Infrastructure Renewal*	23	31	31	-
Tourism and Recreation*	213	184	184	-
Training, Colleges and Universities	3,934	4,194	4,194	-
Transportation	808	862	862	-
Year-End Savings	-	(300)	(300)	-
TOTAL OPERATING EXPENSE	72,270	77,024	77,024	-

* Ministries restated to reflect new government structure.

CAPITAL EXPENSE

MINISTRY	Interim 2003-04	2004-05		
		Budget Plan	Current Outlook	In-Year Change
Agriculture and Food	1	7	7	-
Attorney General	25	55	55	-
Children and Youth Services*	-	9	9	-
Community and Social Services*	10	21	21	-
Community Safety and Correctional Services	47	42	42	-
Consumer and Business Services	1	2	2	-
Culture	28	70	70	-
Economic Development and Trade*	32	39	39	-
Education	16	27	27	-
Energy	54	52	52	-
Environment	4	13	13	-
Finance*	5	4	4	-
Health and Long-Term Care	355	346	346	-
Management Board Secretariat**	(1)	(13)	(13)	-
Municipal Affairs and Housing*	208	234	234	-
Native Affairs Secretariat	-	2	2	-
Natural Resources	69	85	85	-
Northern Development and Mines	344	447	447	-
Public Infrastructure Renewal*	17	168	168	-
Capital Contingency Fund	-	150	150	-
Tourism and Recreation	54	65	65	-
Training, Colleges and Universities	121	171	171	-
Transportation	812	679	679	-
Year-End Savings	-	(100)	(100)	-
TOTAL CAPITAL EXPENSE	2,202	2,575	2,575	-

* Ministries restated to reflect new government structure.

** Ministries' contributions for investments in Provincially owned land and buildings are recorded as an expense by the contributing ministries. Starting in 2002-03 any resulting adjustment to expense from the capitalization and amortization of most of these Provincially owned land and buildings is recorded in Management Board Secretariat.

Schedule of Net Investment in Capital Assets – 2004-05 Current Outlook (\$ Millions)				
	Land and Buildings	Transportation Infrastructure	Government Organizations' Capital Assets	Total
Acquisition/Construction of Major Tangible Capital Assets	135	998	432	1,565
Amortization of Provincially Owned Major Tangible Capital Assets	(78)	(524)	(195)	(797)
NET INVESTMENT IN CAPITAL ASSETS*	57	474	237	768

* Starting in 2002-03, major tangible capital assets owned by Provincial ministries (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets owned by Provincial ministries will continue to be accounted for as expense in the year of acquisition or construction. All capital assets owned by consolidated government organizations are accounted for on a full accrual basis.

ONTARIO'S 2004-05 FINANCING PROGRAM

Consolidated Province and Ontario Electricity Financial Corporation (\$ Millions)				
		2004-05		
	Interim 2003-04	Budget Plan	Current Outlook	In-Year Change
Deficit	6,222	2,239	2,235	(4)
Adjustments for:				
Non-Cash Items Included in Deficit	(1,345)	3,219	3,241	22
Amortization of Major Tangible Capital Assets	(766)	(797)	(797)	-
Acquisitions of Major Tangible Capital Assets	1,302	1,565	1,565	-
Debt Maturities				
Province	9,800	11,965	11,965	-
Ontario Electricity Financial Corporation	3,507	4,122	4,122	-
Total	13,307	16,087	16,087	-
Debt Redemptions	1,551	1,041	1,041	-
Canada Pension Plan Borrowing	(100)	(1,133)	(1,033)	100
Increase / (Decrease) in Cash and Cash Equivalents	886	-	-	-
Decrease / (Increase) in Short-Term Borrowing	1,348	150	74	(76)
Other Uses / (Sources) of Cash	2,954	1,380	1,338	(42)
Long-Term Public Borrowing Requirement	25,359	23,751	23,751	-

Borrowing Program Status (\$ Millions)			
	Completed	Remaining	Total
Province	4,697	14,893	19,590
Ontario Electricity Financial Corporation	1,066	3,095	4,161
TOTAL	5,763	17,988	23,751

♦ Changes to the Current Outlook are attributable to a \$100 million reduction in CPP borrowing as rates were not cost-effective; a \$42 million repayment of a non-utility generator loan; a \$76 million increase in short-term borrowing; and a revised outlook of Non-Cash Items Included in Deficit.

♦ Long-term public borrowing undertaken in the year to date as of June 30, 2004, was \$5.8 billion as follows:

(\$ Millions)	
Ontario Savings Bonds	1,145
Domestic Issues	3,368
Euro Medium Term Notes	500
Other	750
	5,763

